

TOWNSHIP OF WAUCEDAH

AUDITED FINANCIAL STATEMENTS

March 31, 2005

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name Township of Waucedah		Unit <input type="checkbox"/> City <input type="checkbox"/> County <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village
Audit Date August 19, 2005	Opinion Date August 19, 2005	Accountant Report Submitted On: (date) August 19, 2005

We have examined the financial statements of this local unit of government and certify the following (except as disclosed in the financial statements (including notes) or in the report of comments and recommendations):

1. All component units/funds/agencies of the local unit are included in the financial statements.
2. There are not accumulated deficits in this unit's various fund balances.
3. We found no substantive instances of non-compliance with the Uniform Accounting and Budgeting Act.
4. The local unit has not violated the conditions of either an order issued under the municipal finance act or its requirements, or an order issued under the emergency municipal loan act.
5. There is no court ordered tax levy that has been ordered without governing body approval.
6. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.

In certifying the above, we affirm that:

1. We have complied with the "Bulletin for the Audits of Local Units of Government in Michigan" as revised.
2. We are certified public accountants registered to practice in Michigan.

A copy of our report and comments	<input type="checkbox"/> is enclosed	<input type="checkbox"/> will be forwarded	<input checked="" type="checkbox"/> is not necessary
A copy of our report on compliance with Federal Revenue Sharing Act	<input type="checkbox"/> is enclosed	<input checked="" type="checkbox"/> is not due for this year	<input type="checkbox"/> is not required because a Single Audit was performed
Copies of our reports on other federal assistance programs	<input checked="" type="checkbox"/> are enclosed	<input type="checkbox"/> will be forwarded	<input type="checkbox"/> are not required because a Single Audit was performed

Report On: (reports required under the Single Audit Act of 1984)	ENCLOSED	TO BE FORWARDED	NOT REQUIRED
Internal accounting control based solely on a study and evaluation made as part of the audit of the general purpose or basic financial statements.			X
Compliance with the laws and regulations that may have a material affect on the financial statements.			X
Supplementary schedule of the entity's federal financial assistance programs showing total expenditures for each federal assistance program.			X
Accounting and administrative internal controls used in administering federal financial assistance programs.			X
Compliance with laws and regulations identifying all findings of non-compliance and questioned costs.			X
Fraud, abuse or an illegal act or indications of such acts.			X

Certified Public Accountant (Firm Name) Allyn Thornberry CPA	Accountant Signature		
Address (No. Street or RR) P. O. Box 373	City Iron Mountain	State Mi.	ZIP 49801

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**ALLYN G. THORNBERRY**

**CERTIFIED PUBLIC ACCOUNTANT  
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**TELEPHONE: 774-7220**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Supervisor and Township Board  
Township of Waucedah  
Dickinson County, Michigan

I have audited the accompanying general purpose financial statements of the Township of Waucedah as of and for the year ended March 31, 2005, as listed in the table of contents. The general purpose financial statements are the responsibility of the Township of Waucedah's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

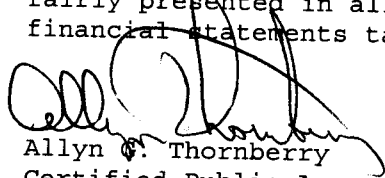
I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Waucedah as of March 31, 2005, and the changes in its net assets for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described in Note A to the basic financial statements, the Township of Waucedah adopted the provisions of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of April 1, 2004. This results in a change to the Township's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Waucedah, State of Michigan. Such information has been subjected to the auditing procedures applied

in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Allyn F. Thornberry', is written over the printed name.

Allyn F. Thornberry  
Certified Public Accountant  
August 19, 2005

## WAUCEDAH TOWNSHIP

P. O. Box 195  
Loretto, Michigan 49852

### Managements' Discussion and Analysis

The township's financial position has improved this year. This is due to increased property values but our future obligations will limit improved financial position.

Waucedah Township is made up of 57,600 acres with the State of Michigan owning 27,000 acres and corporate landholding of approximately 11,000 acres in Commercial Forest Reserve. The township is a rural community made up of agriculture property, small business, residential and lake resort property. We have had no significant changes in our tax base.

The township has contracted for fire protection with a nearby community, City of Norway. The cost of this fire protection has gone up enormously over the years. The township pays \$24,000 per year in fees. In addition, as part of the fire protection cost, the township has been required to pay 1/3 of the City of Norway's purchase price of the fire trucks. The City of Norway is buying a new truck and the township's anticipated cost will range from \$35,000 to \$65,000 for the new truck.

The Recreation Fund had a significant decrease because the township built a pavilion in the Loretto recreation area. The township would like to purchase additional playground equipment when the recreation fund balance will allow.

The Road Fund increases with the township's millage collection and decreases when payments for annual road improvements are made. A surplus does exist in the Building and Maintenance Fund, allowing plans for future expansion of the township hall. This expansion will allow the township to comply with the Americans with Disabilities Act.

The township levies a millage for the support of a volunteer ambulance service. This service is funded by three governmental entities (Waucedah Township, Norway Township and City of Norway). The township has in the past contributed general fund money towards the training of the volunteers. There is the possibility of future general fund costs for the township.

There are no funds that have restrictions or other limitations on the availability of fund resources.

There were minimal variances between the original budget and the amended budget at March 31, 2005.

Improvements to our road system and recreation area were the only capital improvements made this year. We do see additional capital expenditures for a fire truck, road improvements, recreational equipment and building expansion in the future.

TOWNSHIP OF WAUCEDAH  
GOVERNMENT WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS	TOTAL
	<u>ACTIVITIES</u>	<u>TYPE</u>	<u>REPORTING</u>
<u>ASSETS</u>		<u>ACTIVITIES</u>	<u>ENTITY</u>
Cash	\$ 398,665.74		\$ 398,665.74
Due from Other Fund	174.68		174.68
Capital Asset - Net	<u>80,105.02</u>		<u>80,105.02</u>
 TOTAL ASSETS	 \$ <u>478,945.44</u>		 \$ <u>478,945.44</u>
 <u>LIABILITIES</u>			
Due to Other Fund	\$ 174.68		\$ 174.68
 <u>NET ASSET</u>			
Invested in Capital Assets			
Net of Related Debt	\$ 80,105.02		\$ 80,105.02
Restricted for			
Road Fund	68,952.69		68,952.69
Building and Maintenance Fund	68,746.24		68,746.24
Administration Fund	4,867.17		4,867.17
Recreation Fund	1,686.27		1,686.27
Liquor Law	2,792.51		2,792.51
Zoning Fund	959.10		959.10
Unrestricted	<u>250,661.76</u>		<u>250,661.76</u>
 TOTAL NET ASSETS	 \$ <u>478,770.76</u>		 \$ <u>478,770.76</u>

The notes to the financial statements are integral part of this report.

TOWNSHIP OF WAUCEDAH  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
March 31, 2005

PROGRAM SERVICES

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
Primary Government			
General Government	\$ 50,208.34		
Police Protection	1,930.96		
Fire Protection	24,302.91		
Planning Commission	850.00		
Zoning Administration	2,444.96		
Zoning Appeals Board	75.00		
Street Lighting	10,031.54		
Refuse Collection	2,686.46		
Roads	80,358.92		
Recreation and Maintenance	4,015.50		
Transfers to other Funds	20,000.00		
Special Fund	<u>75.00</u>		
 Total Governmental Activities	 \$ 196,979.59		

GENERAL REVENUES

Property Taxes levied for general operations  
Property Taxes levied for Roads  
State-Shared Revenues  
Unrestricted Investment Earnings  
Restricted Investment Earnings  
Other taxes and fees  
Other  
Transfer to Building & Maintenance Fund

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - Ending of Year

The notes to the financial statements are integral part of this report



Net (Expense) Revenue and Changes in Net Assets

<u>CAPITAL GRANT AND CONTRIBUTIONS</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
	\$ 50,208.34		\$ 50,208.34
	1,930.96		1,930.96
	24,302.91		24,302.91
	850.00		850.00
	2,444.96		2,444.96
	75.00		75.00
	10,031.54		10,031.54
	2,686.46		2,686.46
	80,358.92		80,358.92
	4,015.50		4,015.50
	20,000.00		20,000.00
	<u>75.00</u>		<u>75.00</u>
	\$ 196,979.59		\$ 196,979.59
	\$ 39,342.33		\$ 39,342.33
	58,771.76		58,771.76
	66,311.64		66,311.64
	7,254.28		7,254.28
	1,335.26		1,335.26
	4,155.79		4,155.79
	4,213.20		4,213.20
	<u>20,000.00</u>		<u>20,000.00</u>
	\$ 201,384.26		\$ 201,384.26
	4,404.67		4,404.67
	<u>394,261.07</u>		<u>394,261.07</u>
	<u>\$ 398,665.74</u>		<u>\$ 398,665.74</u>

TOWNSHIP OF WAUCEDAH  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
 March 31, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Building and Maintenance Fund</u>	<u>Administrative Fund</u>
<u>ASSETS</u>				
Cash and Investments (Note C)				
Unrestricted	\$250,487.08	\$ -	\$ -	\$ -
Restricted		68,952.69	68,746.24	4,897.08
Due from other Funds	<u>174.68</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$250,661.76</u>	<u>\$68,952.69</u>	<u>\$68,746.24</u>	<u>\$4,897.08</u>
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ -	\$ -	\$ 29.91
<u>FUND BALANCE</u>				
Reserved for				
Capital Projects	\$ -	\$68,952.69	\$ -	\$ -
Other Purposes	-	-	68,746.24	4,867.17
Unreserved	<u>250,661.76</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>\$250,661.76</u>	<u>\$68,952.69</u>	<u>\$68,746.24</u>	<u>\$4,867.17</u>
TOTAL LIABILITIES AND BALANCES	<u>\$250,661.76</u>	<u>\$68,952.69</u>	<u>\$68,746.24</u>	<u>\$4,897.08</u>

The notes to the financial statements are an integral part of this report.

<u>Recreation Fund</u>	<u>Liquor Law Fund</u>	<u>Zoning Fund</u>	<u>Tax Account</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$59.77	\$250,546.85
1,686.27	2,877.51	959.10		148,118.89
-	-	-	-	174.68
<u>\$1,686.27</u>	<u>\$2,877.51</u>	<u>\$959.10</u>	<u>\$59.77</u>	<u>\$398,840.42</u>

\$ -	\$ 85.00	\$ -	\$ 59.77	\$ 174.68
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\$ -	\$ -	\$ -	\$ -	\$68,952.69
1,686.27	2,792.51	959.10	-	79,051.29
-	-	-	-	250,661.76
<u>\$1,686.27</u>	<u>\$2,792.51</u>	<u>\$959.10</u>	<u>\$ -</u>	<u>\$398,665.74</u>
<u>\$1,686.27</u>	<u>\$2,877.51</u>	<u>\$959.10</u>	<u>\$59.77</u>	<u>\$398,840.42</u>

TOWNSHIP OF WAUCEDAH  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
March 31, 2005

	<u>GENERAL FUND</u>	<u>ROAD FUND</u>	<u>BUILDING &amp; MAINTENANCE FUND</u>	<u>ADMINISTRATION FUND</u>
<u>REVENUES</u>				
Current Property Tax	\$39,342.33	\$58,771.76	\$ -	\$ -
State Shared Revenues	65,390.39	-	-	-
Unrestricted investment earnings	7,254.28	-	-	-
Restricted investment earnings	-	379.80	898.85	21.97
Other taxes and fees	-	-	-	4,155.79
Transfers to fund	-	10,000.00	10,000.00	-
Other	4,063.20	-	-	-
	<u>4,063.20</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUES	 \$ 116,050.20	 \$ 69,151.56	 \$ 10,898.85	 \$ 4,177.76
<u>EXPENDITURES</u>				
Current Operating				
General Government	\$ 46,886.57	\$ -	\$ -	\$ 3,321.77
Police Protection	496.00	-	-	-
Fire Protection	24,302.91	-	-	-
Planning Commission	850.00	-	-	-
Zoning Administration	2,444.96	-	-	-
Zoning Appeals Board	75.00	-	-	-
Street Lighting	10,031.54	-	-	-
Refuse Collection	2,686.46	-	-	-
Roads	-	80,358.92	-	-
Recreation and Maintenance	-	-	53.40	-
Transfers to other Funds	20,000.00	-	-	-
Special Fund	75.00	-	-	-
	<u>75.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 \$ 107,848.44	 \$ 80,358.92	 \$ 53.40	 \$ 3,321.77
 Excess of Revenues Over (Under)				
Expenditures	\$ 8,201.76	\$ (11,207.36)	\$ 10,845.45	\$ 855.99
Fund Balance April 1, 2004	<u>242,430.09</u>	<u>80,160.05</u>	<u>57,900.79</u>	<u>4,041.09</u>
 Fund Balance March 31, 2005	 <u>\$ 250,631.85</u>	 <u>\$ 68,952.69</u>	 <u>\$ 68,746.24</u>	 <u>\$ 4,897.08</u>

The notes to the financial statements are an integral part of this report.

RECREATION FUND	LIQUOR LAW FUND	ZONING FUND	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$98,114.09
-	921.25	-	66,311.64
-	-	-	7,254.28
16.92	13.49	4.23	1,335.26
-	-	-	4,155.79
-	-	-	20,000.00
-	-	150.00	4,213.20
<hr/>	<hr/>	<hr/>	<hr/>
\$ 16.92	\$ 934.74	\$ 154.23	\$ 201,384.26
\$ -	\$ -	\$ -	\$ 50,208.34
-	1,434.96	-	1,930.96
-	-	-	24,302.91
-	-	-	850.00
-	-	-	2,444.96
-	-	-	75.00
-	-	-	10,031.54
-	-	-	2,686.46
-	-	-	80,358.92
3,962.10	-	-	4,015.50
-	-	-	20,000.00
-	-	-	75.00
<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,962.10	\$ 1,434.96	\$ -	\$ 196,979.59
\$ (3,945.18)	\$ (500.22)	\$ 154.23	\$ 4,404.67
5,631.45	3,292.73	804.87	394,261.07
<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,686.27	\$ 2,792.51	\$ 959.10	\$ 398,665.74

TOWNSHIP OF WAUCEDAH  
FIDUCIARY FUND STATEMENT OF NET ASSETS  
March 31, 2005

	PROPERTY TAX COLLECTION <u>FIND</u>
<u>ASSETS</u>	
Cash	\$ 59.77
TOTAL ASSETS	<u>\$ 59.77</u>
<u>LIABILITIES</u>	
Due to Other Fund	<u>\$ 59.77</u>

The notes to the financial statements are integral part of this report.

TOWNSHIP OF WAUCEDAH  
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit.

**A. Reporting Entity**

The Township of Waucedah is located in Dickinson County of the State of Michigan. The Township of Waucedah is a general law township and operates under the direction of an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the governmental-wide financial statements to emphasize it is legally separate from the government.

**Blended Component Unit** - A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement (GASB) No. 14 "The Financial Reporting Entity", these financial statements present the township. The criteria used by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the Township of Waucedah.

**Discretely Presented Component Units** - The discretely presented component unit is an entity that is legally separate from the Local Government Unit, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

There are no discretely presented component units reported in the audited financial statements for the Township of Waucedah.

**Jointly Governed Organizations** - A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

TOWNSHIP OF WAUCEDAH

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

There are no jointly governed organizations to be reported.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The Township has created several types of funds. The Township follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 adds the following components to the financial statements.

Management's Discussion and Analysis (MD&A)

MD&A is a narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary comparison schedule

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and



TOWNSHIP OF WAUCEDAH

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or

TOWNSHIP OF WAUCEDAH  
NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township of Waucedah property tax is levied on each December 1, on the taxable valuation of property (as defined by State statutes) located in the Township of Waucedah as of the preceding December 31.

Although the Township of Waucedah 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Township of Waucedah's policy to recognized revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Township of Waucedah totaled \$28,457,871 on which ad valorem taxes levied consisted of 1.348 mills for the Township of Waucedah operating purposes, 1.9886 mills for Road Fund, raising \$ 38,361.21 for operating, and \$ 56,594.26 for Road Fund. These amounts are recognized in the respective General and Road Fund financial statements as tax revenue.

The government reports the following major governmental funds:

THE GENERAL FUND

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

SPECIAL REVENUE FUNDS

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Liquor Law, Road Fund, Building Fund, Administrative Fund, Recreation Fund, and Zoning Fund are Special Revenue Funds.

The Road Fund is considered to be a major fund for reporting purposes. The Liquor Law, Building Fund, Administrative Fund, Recreation Fund, and Zoning Fund are considered non-major fund for reporting purposes.

TOWNSHIP OF WAUCEDAH  
NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

There is currently no debt service fund for the Township.

CAPITAL PROJECTS FUND

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grant from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

There is currently no capital projects fund for the Township.

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

There is currently no Enterprise Funds.

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's Current Tax Collection Fund is a Fiduciary Fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

The Township does not have expendable trust funds.

TOWNSHIP OF WAUCEDAH

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., road, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to April 1, 2004, the Township did not maintain a fixed asset group of accounts. At this time, an estimate is not available of assets acquired prior to April 1, 2004. The only assets reflected in the fixed asset group of accounts are assets acquired in the current fiscal year.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	30 to 50 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) - The Township has no employees eligible to accrue vacation or sick pay.

Long-Term Obligations - The Township does not have long-term obligations.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF WAUCEDAH

NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The following procedures are followed in establishing the budgetary date reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 1, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrance - Encumbrance accounting, under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

The Township does not use encumbrance accounting.

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment

TOWNSHIP OF WAUCEDAH  
NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont.)

vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 676.88	\$ 59.77	\$ 736.65
Savings	249,810.20		249,810.20
Restricted	<u>148,118.89</u>	<u>          </u>	<u>148,118.89</u>
Total	\$ 398,605.97 =====	\$ 59.77 =====	\$ 398,665.74 =====

The bank deposit of the primary government's deposits is \$ 398,065.97 of which \$ 366,292.98 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Township or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Based on these levels of risk, all of the Township's investments are classified under the credit risk 1.

TOWNSHIP OF WAUCEDAH  
NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Road	\$ -	\$80,358.92	\$ -	\$80,358.92
Pavilion	-	3,962.10	-	3,962.10
Subtotal	-	\$84,321.02	-	\$84,321.02
Less Accumulated Depreciation for				
Road	-	\$(4,018.00)	-	\$(4,018.00)
Pavilion	-	( 198.00)	-	( 198.00)
Total Accum. Depr.	-	\$(4,216.00)	-	\$(4,216.00)
Total Capital Assets - Net Of Depreciation	-	\$80,105.02	-	\$80,105.02
	=====	=====	=====	=====

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Administrative Fee	\$ 29.91
	Liquor Law	85.00
	Tax Account	59.77
Total		\$174.68
		=====

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

NOTE 7 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

TOWNSHIP OF WAUCEDAH  
NOTES TO FINANCIAL STATEMENTS (Cont.)

March 31, 2005

NOTE 7 - RELATED PARTY TRANSACTIONS (Cont.)

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.



TOWNSHIP OF WAUCEDAH  
BUDGETARY COMPARISON SCHEDULE  
Year ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources				
Current Property Tax	\$ 38,593.00	\$ 38,593.00	\$ 35,595.11	\$ 2,997.89
Delinquent Property Tax	3,800.00	3,800.00	3,777.13	22.87
Swampland Tax		11,500.00	11,804.76	(304.76)
Commerical Forest	500.00	500.00	484.63	15.37
Sales Tax	50,000.00	50,000.00	53,101.00	(3,101.00)
Interest	5,000.00	5,000.00	7,194.51	(2,194.51)
Other	251.00	251.00	4,063.20	(3,812.20)
Amounts Available for Appropriations	\$ 98,144.00	\$ 109,644.00	\$ 116,020.34	\$ (6,376.34)
Charges to Appropriations				
General Government				
Township Board	\$ 13,585.00	\$ 13,585.00	\$ 11,072.64	\$ 2,512.36
Supervisor	5,450.00	5,450.00	5,019.88	430.12
Deputy Supervisor	100.00	100.00	-	100.00
Elections	1,575.00	2,175.00	2,134.55	40.45
Assessor	12,900.00	12,900.00	10,200.00	2,700.00
Attorney	1,200.00	1,200.00	740.00	460.00
Clerk	7,200.00	7,250.00	7,229.08	20.92
Deputy Clerk	100.00	50.00	-	50.00
Board of Review	1,375.00	1,375.00	1,088.96	286.04
Treasurer	7,100.00	7,100.00	7,040.47	59.53
Deputy Treasurer	100.00	100.00	-	100.00
Township Hall & Grounds	2,780.00	2,780.00	2,360.99	419.01
Other Buildings & Grounds	-	-	-	-
Constables	750.00	750.00	496.00	254.00
Fire Protection	25,500.00	25,500.00	24,302.91	1,197.09
Township Planning Commission	1,925.00	1,225.00	850.00	375.00
Zoning Administration	2,550.00	2,550.00	2,444.96	105.04
Zoning Appeals Board	600.00	600.00	75.00	525.00
Street Lighting	10,000.00	10,100.00	10,031.54	68.46
Waste/Refuse Collection/Disposal	2,925.00	2,925.00	2,686.46	238.54
Recreational Facilities	-	-	-	-
Other Expense	250.00	250.00	75.00	175.00
Transfers - Road Fund	-	10,000.00	10,000.00	-
- Building & Maintenance Fund	-	10,000.00	10,000.00	-
	<u>\$ 97,965.00</u>	<u>\$ 117,965.00</u>	<u>\$ 107,848.44</u>	<u>\$ 10,116.56</u>
Net Change in Fund Balance	\$ 179.00	\$ (8,321.00)	\$ 8,171.90	\$ (16,492.90)
Fund Balance April 1, 2004	<u>242,430.09</u>	<u>242,430.09</u>	<u>242,430.09</u>	-
Fund Balance March 31, 2005	<u>\$ 242,609.09</u>	<u>\$ 234,109.09</u>	<u>\$ 250,601.99</u>	<u>\$ (16,492.90)</u>

Notes to the financial statements are an integral part of this report.

TOWNSHIP OF WAUCEDAH  
COMBINING BALANCE SHEET  
Non-Major Governmental Funds  
March 31, 2005

	<u>Building and Maintenance</u>	<u>Recreation Fund</u>	<u>Administration Fund</u>
ASSETS			
Cash	\$ 68,746.24	\$ 1,686.27	\$ 4,897.08
TOTAL ASSETS	<u>\$ 68,746.24</u>	<u>\$ 1,686.27</u>	<u>\$ 4,897.08</u>
LIABILITIES AND FUND EQUITY			
Due to General Fund	\$ -	\$ -	\$ -
Fund Balance - Unreserved	<u>68,746.24</u>	<u>1,686.27</u>	<u>4,897.08</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 68,746.24</u>	<u>\$ 1,686.27</u>	<u>\$ 4,897.08</u>

Notes to the financial statements are an integral part of this report.

<u>Liquor Law Fund</u>	<u>Zoning Fund</u>	<u>Total Non-Major Government Funds</u>
\$ 2,877.54	\$ 959.10	\$ 79,166.23
<u>\$ 2,877.54</u>	<u>\$ 959.10</u>	<u>\$ 79,166.23</u>
\$ 85.00	\$ -	\$ 85.00
<u>2,792.51</u>	<u>959.10</u>	<u>\$ 79,081.20</u>
<u>\$ 2,877.51</u>	<u>\$ 959.10</u>	<u>\$ 79,166.20</u>

TOWNSHIP OF WAUCEDAH  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Year ended March 31, 2005

	<u>Building and Maintenance</u>	<u>Recreation Fund</u>	<u>Administrative Fund</u>
Resources			
Fees	\$ -	\$ -	\$ 4,155.79
Transfer from General Fund	10,000.00	-	-
State Shared Revenues	-	-	-
Interest	<u>898.85</u>	<u>16.92</u>	<u>21.97</u>
Amounts Available for Appropriations	\$ 10,898.85	\$ 16.92	\$ 4,177.76
Charges to Appropriations			
Capital Outlay	\$ -	\$ 3,962.10	\$ -
Repairs	53.40	-	-
Supplies	<u>-</u>	<u>-</u>	<u>3,321.77</u>
Total expenditures	<u>\$ 53.40</u>	<u>\$ 3,962.10</u>	<u>\$ 3,321.77</u>
Net Change in Fund Balance	\$ 10,845.45	\$ (3,945.18)	\$ 855.99
Fund Balance April 1, 2004	<u>57,900.79</u>	<u>5,631.45</u>	<u>4,041.09</u>
Fund Balance March 31, 2005	<u>\$ 68,746.24</u>	<u>\$ 1,686.27</u>	<u>\$ 4,897.08</u>

Notes to the financial statements are an integral part of this report.

<u>Liquor Law Fund</u>	<u>Zoning Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ 150.00	\$ 4,305.79
-	-	10,000.00
921.25	-	921.25
<u>13.49</u>	<u>4.23</u>	<u>955.46</u>
\$ 934.74	\$ 154.23	\$ 16,182.50
\$ -	\$ -	\$ 3,962.10
-	-	53.40
<u>1,349.96</u>	<u>-</u>	<u>4,671.73</u>
\$ <u>1,349.96</u>	\$ <u>-</u>	\$ <u>8,687.23</u>
\$ (415.22)	\$ 154.23	\$ 7,495.27
<u>3,292.73</u>	<u>804.87</u>	<u>71,670.93</u>
\$ <u>2,877.51</u>	\$ <u>959.10</u>	\$ <u>79,166.20</u>

TOWNSHIP OF WAUCEDAH  
BUDGETARY COMPARISON SCHEDULE  
 Road Fund  
 March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>REVENUES</u></b>				
Current Property Tax	\$ 52,717.88	\$58,000.00	\$58,771.76	\$ (771.76)
Restricted investment earnings			379.80	(379.80)
Transfers to fund	<u>10,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>\$ 62,717.88</b>	<b>\$ 68,000.00</b>	<b>\$ 69,151.56</b>	<b>\$ (1,151.56)</b>
<b><u>EXPENDITURES</u></b>				
Current Operating Roads	<u>77,984.70</u>	<u>80,500.00</u>	<u>80,358.92</u>	<u>141.08</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 77,984.70</b>	<b>\$ 80,500.00</b>	<b>\$ 80,358.92</b>	<b>\$ 141.08</b>
Excess of Revenues Over (Under) Expenditures	\$ (15,266.82)	\$ (12,500.00)	\$ (11,207.36)	\$ (1,292.64)
Fund Balance April 1, 2004	<u>80,160.05</u>	<u>80,160.05</u>	<u>80,160.05</u>	<u>-</u>
Fund Balance March 31, 2005	<u>\$ 64,893.23</u>	<u>\$ 67,660.05</u>	<u>\$ 68,952.69</u>	<u>\$ (1,292.64)</u>

The notes to the financial statements are an integral part of this report.